

CITY OF ENTERPRISE, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

FOR THE YEAR ENDED JUNE 30, 2006

CITY OF ENTERPRISE, UTAH

YEAR ENDED JUNE 30, 2006

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CITY OF ENTERPRISE, UTAH

YEAR ENDED JUNE 30, 2006

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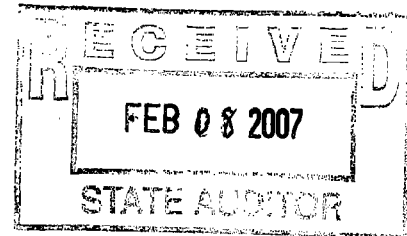
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Enterprise, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Enterprise, Utah (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Enterprise as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 6 through 14 and the budgetary comparison information on page 21, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The supplementary combining and individual fund statements and schedules described in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of the City's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
September 22, 2006

CITY OF ENTERPRISE

Management's Discussion and Analysis

The following narrative presents management's discussion and analysis of the financial performance of the City's general governmental activities during the fiscal year ending 30 June 2006. It should be read in conjunction with the accompanying basic financial statements. The discussion and analysis does not include comparative data for prior years, as this information is not available for the first year of implementation of Governmental Accounting Standards Board (GASB) Statement Number 34.

Financial Highlights

- The governmental assets of the City exceeded its liabilities at the close of the fiscal year ending June 30, 2006 by \$ 2,979,913 as compared to \$ 2,800.636 at June 30, 2005.
- Total unrestricted net assets were \$ 1,862,837 as of June 30, 2006 as compared to \$1,526,501 at June 30, 2005.
- The expenditures in the general fund for FY 2006 were less than the adopted budget by \$ 71,906 compared to \$213,261 less than budget for FY 2005.
- As of June 30, 2006, the City of Enterprise's general fund reported an ending fund balance of \$275,018 compared to \$ 243,732 at June 30, 2005..
- The City had no general governmental debt at fiscal year end.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information is included, as necessary, for clarification.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* includes all of the City's assets and liabilities, and the resulting difference between the assets and liabilities, or net assets. Net assets (and the related change in net assets from year to year) are probably the most important financial measurement to enable understanding of the financial position of the City, and whether financial position improves or deteriorates each year. To assess the overall health of the City, additional non-financial factors such as changes in the property tax base, the condition of the City's infrastructure, etc. should be also be considered.

The *Statement of Activities* shows how the City's net assets changed as a result of its operations during the most recent fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event

occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, most revenues are reported when the revenues are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until sometime later.

There are two distinct types of activities reflected in the government-wide statements, governmental activities and business-type activities. Governmental activities are those supported primarily by intergovernmental revenues, taxes, and fees for services, while business-type activities are those in which all costs (or at least a significant portion of costs) are intended to be recovered through user fees and charges. The City's governmental activities include such functions as maintenance of roads, parks, and cemeteries, fire protection, animal control, law enforcement, justice court, emergency medical services, building inspection, solid waste removal, general government record-keeping, local legislation, and administration. The business-type activities of the City of Enterprise include water utilities, sewer utilities, and electric utilities.

Fund Financial Statements

As is common with other state or local government entities, the City of Enterprise uses *funds* to account for separate activities and to help demonstrate compliance with financially related legal requirements (such as budgetary compliance). A fund is a set of closely related accounts used to maintain control over financial resources which have been segregated for specific activities or purposes. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based on the purposes for which the funds are to be spent as well as by how the activities are to be controlled. The three broad categories of funds are: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City currently maintains six individual governmental funds which include:

- 1) **General Fund.** The general fund is the operating fund of the City. Revenues from intergovernmental sources, fees for services, and all other sources are received into this fund. Expenditures include operation and administrative costs.
- 2) **Capital Projects Fund (SID).** In 1994, the citizens bonded for a badly needed City Street renovation project. The bond also included follow-up chip and seal projects for 1998, 2003, and 2008. A payment plan allows for collection of monies through the original life of the bond (01 October 2009). Liens against properties are in place to eventually recover outstanding balances owed in cases where owners have been unwilling or unable to pay their share of the bond.
- 3) **Capital Projects Fund (Equipment).** This fund allows for dedicated monies to be held for "big ticket" governmental fund related equipment, such as ambulances, which are planned for acquisition in future years.
- 4) **Capital Projects Fund (Medical Clinic).** This fund was set up as a short-term mechanism to facilitate the flow of one-time grant money through the City (as grant administrator only) for the expansion of the Enterprise Valley Medical Clinic. The clinic is situated on City-owned property and exists under a lease agreement with the City. The clinic is in all other ways a financially independent entity. No expenditures were made from this fund in 2006 and the fund is now closed.
- 5) **Special Revenue Fund (Emergency Medical Services Fund).** This fund accounts for the receipt of grants, donations, and allotments for the City's emergency services. The City also records expenditures for training, equipment, and supplies for these services.
- 6) **Permanent Fund (Cemetery Perpetual Care).** This fund is used to account for the Principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

The General Fund and the Capital Projects Fund (SID) are considered major funds and the other funds are combined into one nonmajor funds column. The composition of the non-major funds is shown in combining statements included in the report under the supplementary information section.

Proprietary Funds

Proprietary funds are used to account for business-type activities and are measured using a method similar to commercial business accounting. The city uses only the enterprise type of proprietary funds which are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City currently operates enterprise funds for the City-owned water system, the City-owned sewer system, and the City owned electric system.

Fiduciary Funds

Fiduciary funds, which consist solely of trust and agency funds, are used to account for

resources held for the benefit of parties outside the City. Fiduciary funds are *not* included in the government-wide financial statements because the resources are *not* available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The City does not maintain any fiduciary funds.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Enterprise. The City adopts an annual appropriated budget for the governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

As previously noted, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the City of Enterprise, assets exceeded liabilities by \$6,610,146 at the close of the most recent fiscal year as compared to \$6,438,162 at June 30, 2005.

Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	1,422,245	\$1,184,390	\$1,863,745	\$1,541,985
Capital assets	<u>1,674,217</u>	<u>1,740,991</u>	<u>4,527,844</u>	<u>4,662,621</u>
Total assets	3,096,462	2,925,381	6,391,589	6,204,606
Long-term debt outstanding	----	----	2,275,766	2,374,607
Other liabilities	<u>242,520</u>	<u>124,745</u>	<u>236,177</u>	<u>192,473</u>
Total liabilities	242,520	124,745	2,511,943	2,567,080
Net assets:				
Invested in capital assets, net of debt	1,674,217	1,740,991	2,195,803	2,191,739
Restricted	906,412	784,090	220,290	194,841
Unrestricted	<u>399,284</u>	<u>275,555</u>	<u>1,463,553</u>	<u>1,250,946</u>
Total net assets	<u>\$2,979,913</u>	<u>\$2,800,636</u>	<u>\$3,879,646</u>	<u>\$3,637,526</u>

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues				
Program Revenues:				
Charges for services	\$ 165,558	\$ 144,007	\$ 925,341	\$ 875,868
Operating grants & contributions	75,424	113,481	144,710	----
Capital grants & contributions		7,113	----	----
General revenues:				
Property taxes	78,580	75,039	----	----
Other taxes	268,500	189,409	----	----
Investment income	45,436	25,167	61,601	12,545
Other revenues	<u>168,223</u>	<u>63,175</u>	<u>70,133</u>	<u>88,607</u>
Total revenues	<u>801,721</u>	<u>617,391</u>	<u>1,201,785</u>	<u>977,020</u>

Expenses:	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
General government	166,959	127,494	----	----
Public safety	69,938	42,519	----	----
Public health	107,013	77,327	----	----
Public works	204,021	131,171	----	----
Parks and recreation	74,513	57,249	----	----
Electric	----	----	576,040	473,996
Water	----	----	258,544	226,820
Sewer	----	----	125,081	109,033
Total expenses	<u>622,444</u>	<u>435,760</u>	<u>959,665</u>	<u>809,849</u>
Increase (decrease) in net assets	179,277	181,631	242,120	167,171
Net Assets, beginning	2,800,636	2,619,005	3,637,526	3,470,355
Prior period adjustment	----	----	----	----
Net Assets ending	<u>\$2,979,913</u>	<u>\$2,800,636</u>	<u>\$3,879,646</u>	<u>\$3,637,526</u>

Governmental Activities

Revenue Highlights:

Taxes comprise a significant source of revenue for the City's governmental activities; approximately \$331,649 or 42 percent in fiscal year 2006 and \$246,718 or 43 percent in fiscal year 2005 of total revenues from governmental activities.

Charges for services increased to \$165,558 or 20 percent of total revenues in fiscal year 2006 from \$144,007 or 23 percent of total revenues in fiscal year 2005.

Grant and contribution revenue decreased to \$75,424 or 9 percent of total revenues in fiscal year 2006 from \$120,594 or 20 percent of total revenues in fiscal year 2005. The decrease in this type of revenue accounts for the overall decrease in revenue for governmental activities in 2006. The decrease is mostly due to state grants received in the prior year to purchase additional equipment for the fire station and grants obtained to expand the Enterprise Valley Medical Clinic that were not repeated in the current year.

Expense Highlights:

General government expenses of approximately \$166,959 in fiscal year 2006 and \$127,494 in fiscal year 2005 represented 26 percent in fiscal year 2006 and 29 percent in fiscal year 2005 of total expenses from governmental activities. General government includes such services as Mayor, City Council, Judicial, Administration, Budget, Building Maintenance, Economic Development, Public Affairs, and Non-departmental.

Public Health expenditures increased in fiscal year 2006 to \$107,013 or 16 percent from \$77,327 or 17 percent in fiscal year 2005. The increase is not considered significant and is due to

increasing waste collection costs and ambulance service costs.

Total revenues were sufficient to fund net expenses for fiscal year 2006.

Business-type Activities

Revenue Highlights:

Total revenues in business-type activities increased by approximately \$224,765 or 23% as fees for services and impact fees collected increased due to growth during the fiscal year 2006.

Expense Highlights:

Total expenses in business-type activities increased by approximately \$149,816 for fiscal year 2006 which is an 18 percent increase over expenses in fiscal year 2005.

Financial Analysis of the City's Funds

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

As of June 30, 2006, the City's governmental funds reported combined fund balances of \$1,182,559. This represents an increase of \$292,541 or 32 percent. The increase was split between reserved and unreserved fund balance with the unreserved fund balance increasing by \$108,547 while the reserved fund balance increased by \$183,994.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the City's enterprise funds totaled approximately \$3,879,646 in fiscal year 2006 as compared to \$3,637,526 at the end of fiscal year 2005. The increase in net assets appears to be from operations and is consistent with increases in prior fiscal years. Net assets at the end of fiscal year 2006 and 2005 for each of these funds were:

Enterprise City Proprietary Funds			
<u>Fund</u>	<u>Amount</u>		<u>Change</u>
	<u>2005</u>	<u>2006</u>	
Electric	\$ 1,204,328	\$ 1,261,706	\$ 57,378
Water	1,234,341	1,306,547	72,206
Sewer	<u>1,198,857</u>	<u>1,311,393</u>	<u>112,536</u>
Total	<u>\$ 3,637,526</u>	<u>\$ 3,879,646</u>	<u>\$ 242,120</u>

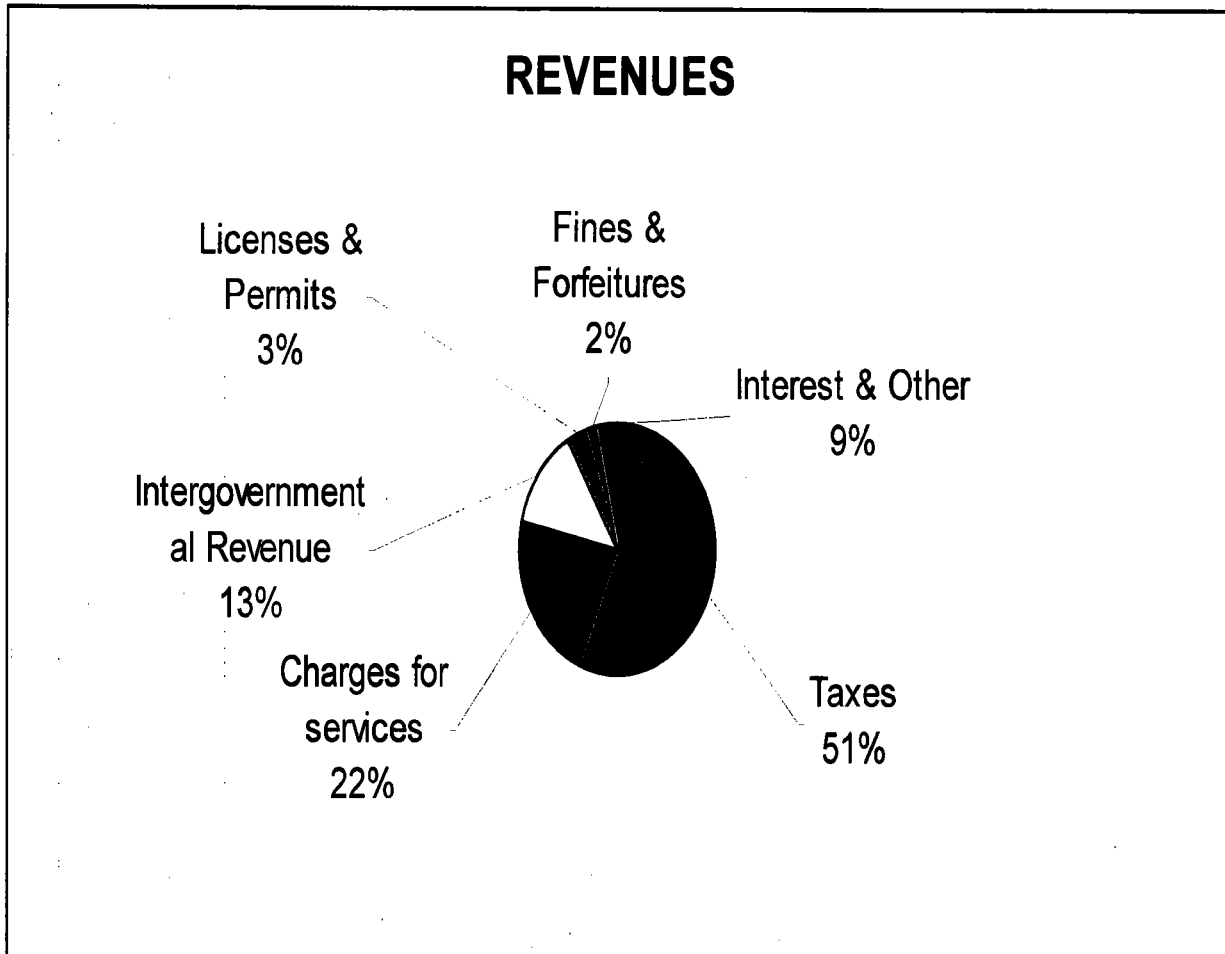
General Fund Budgetary Highlights

The City Council approved the general fund budget at its regular meeting in June 2004. Significant budget amendments included the addition of a \$150,000 grant for flood repairs. At the close of the fiscal year, revenues came in under the amended budget figure by \$80,255 and actual expenditures were below the amended budget figure by \$213,261.

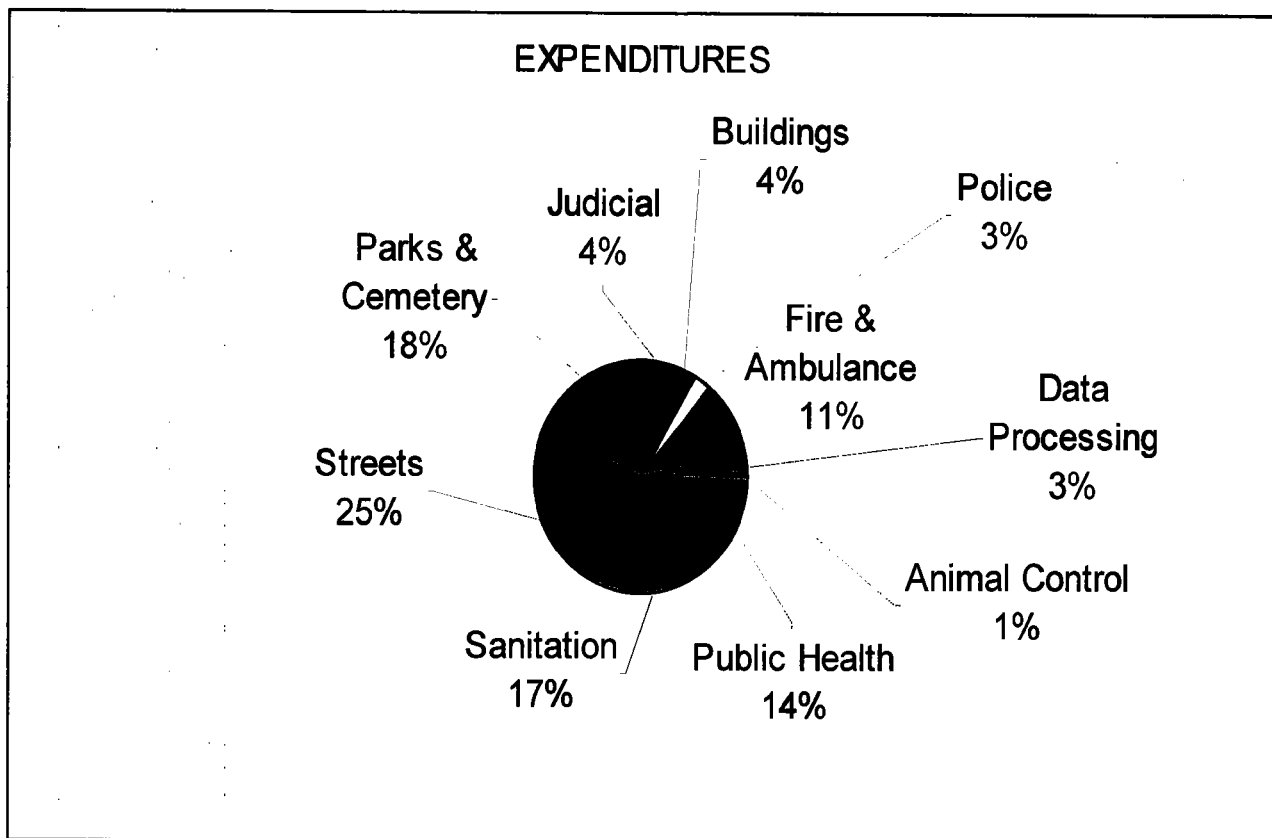
Summary of Actual to Budgeted Revenues & Expenses

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual (Budgetary Basis)</u>
Total Revenues	\$ 510,700	\$ 578,700	\$ 538,080
Total Expenditures including Capital Outlay	\$ 508,500	\$ 578,700	\$ 506,794
Net Revenue Over Expenditures	<u>\$ 2,200</u>	<u>\$ ----</u>	<u>\$ 31,286</u>

The following chart depicts the City's General Fund revenues by source and percentage:



The following chart depicts the City's General Fund expenditures by general category and percentage:



Capital Assets and Debt Administration

Capital Assets

The City's fiscal year 2006 investment in capital assets for its governmental and business-type activities amounted to \$6,202,061 (net of \$2,611,998 of accumulated depreciation) as compared to \$6,403,612 (net of \$2,385,447 of accumulated depreciation) at June 30, 2005. The only capital expenditure in excess of \$ 5,000 in Fiscal Year 2006 was \$ 60,000 spent to repair flood damage which was considered repair rather than a capital improvement. Additional information on the City's capital assets can be found in note 3 to the financial statements.

Summary of Net Capital Assets

<u>Governmental Activities</u>			
General Government	\$ 171,369	Parks & Recreation	219,646
Public Works	1,635,909	Depreciation	<u>(712,440)</u>
Public Safety	211,851	Total Net	
Public Health	147,881	Capital Assets	<u>\$ 1,674,216</u>

		<u>Business-type Activities</u>	
Electric	\$ 742,806	Depreciation	<u>(1,899,558)</u>
Water	3,317,727		
Sewer	2,316,868	Total Net	
		Capital Assets	<u>\$ 4,527,844</u>

Long-term Debt

At June 30, 2006, the City had \$2,372,041 in bonds and bond discounts payable, a decrease from the \$ 2,470,882 outstanding at June 30, 2005. Of the amount outstanding, none is general obligation debt, but is debt incurred on behalf of the City's utility systems and is backed by utility revenues or system assets. The bonds bear interest ranging from 1.0 percent to 4.5 percent and are payable in either monthly or annual installments

The City of Enterprise incurred no long-term debt to the general fund during the fiscal year ending June 30, 2006. Two pressing issues that could conceivably require debt are the replacement of the shop/storage portion of the City Office building, and the building of storm drain infrastructure to handle some critical drainage problems.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the City's financial status. Questions concerning any of the reports and information contained in this financial audit, or requests for additional financial information, should be addressed to the City of Enterprise, PO Box 340, Enterprise, UT 84725. Complete financial statements for the City of Enterprise may be viewed at the City Offices located at 375 South 200 East, Enterprise, Utah.

City of Enterprise
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Investments	\$ 220,323	\$ 1,400,749	\$ 1,621,072
Accounts Receivable	208,173	97,903	306,076
Taxes Receivable	71,906	-	71,906
Due from Other Governments	15,431	-	15,431
Inventory of Supplies	-	144,803	144,803
Total Current Assets	515,833	1,643,455	2,159,288
Restricted Assets:			
Cash and Investments	906,412	220,290	1,126,702
Capital Assets:			
Land	170,635	-	170,635
Buildings, Improvements, & Parks	325,716	295,005	620,721
Distribution Systems	-	5,142,740	5,142,740
Machinery and Equipment	350,339	506,025	856,364
Infrastructure	1,539,967	-	1,539,967
Accumulated Depreciation	(712,440)	(1,899,558)	(2,611,998)
Water Rights and Other	-	483,632	483,632
Total Capital Assets Net of Accumulated Depreciation	1,674,217	4,527,844	6,202,061
Total Assets	3,096,462	6,391,589	9,488,051
Liabilities			
Current Liabilities:			
Accounts Payable	19,002	51,001	70,003
Accrued Liabilities	22,807	-	22,807
Accrued Interest Payable	-	22,617	22,617
Deferred Revenue	71,906	-	71,906
Current Bonds and Discounts Payable	-	96,275	96,275
Total Current Liabilities	113,715	169,893	283,608
Noncurrent Liabilities:			
Customer Deposits	-	8,068	8,068
Accrued for Digger Truck	-	50,000	50,000
Accrued Compensated Absences	2,834	8,216	11,050
Bonds Payable	-	2,275,766	2,275,766
Total Noncurrent Liabilities	2,834	2,342,050	2,344,884
Total Liabilities	116,549	2,511,943	2,628,492
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,674,217	2,195,803	3,870,020
Restricted	906,412	220,290	1,126,702
Unrestricted	399,284	1,463,553	1,862,837
Total Net Assets	\$ 2,979,913	\$ 3,879,646	\$ 6,859,559
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The notes to the financial statements are an integral part of this statement.

City of Enterprise
Statement of Activities
For the Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Rev & Chgs in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government						
Governmental Activities:						
General Government	\$ 166,959	\$ 138,728	\$ -	\$ -	\$ (28,231)	\$ (28,231)
Public Safety	69,938	8,104	75,424	-	13,590	13,590
Public Health	107,013	-	-	-	(107,013)	(107,013)
Public Works	204,021	18,726	-	-	(185,295)	(185,295)
Parks and Recreation	74,513	-	-	-	(74,513)	(74,513)
Intergovernmental	-	-	-	-	-	-
Total Governmental Activities	622,444	165,558	75,424	-	(381,462)	-
Business-type Activities:						
Electric	576,040	538,831	29,460	-	-	(7,749)
Water	258,544	237,742	50,000	-	-	29,198
Sewer	125,081	148,768	65,250	-	-	88,937
Total Business-type Activities	959,665	925,341	144,710	-	-	110,386
Total Primary Government	\$ 1,582,109	\$ 1,090,899	\$ 220,134	\$ -	(381,462)	110,386
General Revenues:						
Property Taxes					78,580	78,580
Sales and Use Taxes					147,246	147,246
Franchise Taxes					23,658	23,658
Highway Taxes					72,813	72,813
Telephone Communications Tax					24,783	24,783
Unrestricted Investment Earnings					45,436	61,601
Miscellaneous					25,920	70,133
Insurance Proceeds					142,303	142,303
Total General Revenues and Transfers					560,739	131,734
Change in Net Assets					179,277	242,120
Net assets - Beginning					2,800,636	3,637,526
Net assets - Ending					\$ 2,979,913	\$ 3,879,646
					pg 15	pg 15

The notes to the financial statements are an integral part of this statement.

City of Enterprise
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Special Improvement District Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash - Unrestricted	\$ 220,323	\$ -	\$ -	\$ 220,323
Cash - Restricted	60,543	415,628	430,241	906,412
Accounts Receivable	5,972	202,201	-	208,173
Taxes Receivable	-	-	-	-
Due From Other Governments	15,431	-	-	15,431
Total Assets	\$ 302,269	\$ 617,829	\$ 430,241	\$ 1,350,339
Liabilities				
Accounts Payable	\$ 18,979	\$ -	\$ 23	\$ 19,002
Accrued Liabilities	8,272	14,535	-	22,807
Deferred Revenue	-	125,971	-	125,971
Total Liabilities	27,251	140,506	23	167,780
Fund Equity				
Fund Balance - Unreserved	214,475	-	-	214,475
Fund Balance - Reserved	60,543	477,323	430,218	968,084
Total Fund Equity	275,018	477,323	430,218	1,182,559
Total Liabilities and Fund Equity	\$ 302,269	\$ 617,829	\$ 430,241	\$ 1,350,339

The notes to the financial statements are an integral part of this statement.

City of Enterprise
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2006

Total fund balances - governmental fund types: pg 19 \$ 1,182,559

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 170,635	
Buildings & Improvements	325,716	
Machinery & Equipment	350,339	
Infrastructure	1,539,967	
Accumulated Depreciation	<u>(712,440)</u>	
Total Capital Assets, Net		1,674,217

Deferred Revenue related to the current period should be reclassified as revenue and should be reported in the funds. 125,971

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of compensated absences (2,834)

Net assets of government activities \$ 2,979,913
pg 15

The notes to the financial statements are an integral part of this statement.

City of Enterprise
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General Fund	Special Improvement District Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<i>Revenues</i>				
Property Taxes-Current	\$ 60,962	\$ -	\$ -	\$ 60,962
Property Taxes-Delinquent	1,387	-	-	1,387
Fee in lieu of taxes	16,231	-	-	16,231
Sales and use taxes	147,246	-	-	147,246
Franchise Taxes	23,658	-	-	23,658
Licenses and permits	37,744	-	-	37,744
Intergovernmental revenue	96,430	-	60,328	156,758
Charge for services	100,984	-	-	100,984
Fines and Penalties	8,104	-	-	8,104
Interest Income	11,598	18,202	15,636	45,436
Sale of materials/assets	530	-	-	530
Special Assessments	-	65,215	-	65,215
Telephone Communication Tax	24,783	-	-	24,783
Rents & Concessions	-	-	-	-
Donations	-	-	-	-
Other Revenues	8,423	-	150,749	159,172
Total Revenues	538,080	83,417	226,713	848,210
<i>Expenditures</i>				
Mayor and council	12,121	-	-	12,121
Judicial	14,248	-	-	14,248
Administration	136,425	250	-	136,675
Building Department	22,096	-	-	22,096
Public Safety	64,756	-	-	64,756
Public Health	48,016	-	48,625	96,641
Sanitation and Waste Collection	52,393	-	-	52,393
Public Works - Streets	115,389	-	-	115,389
Parks and Recreation	20,788	-	-	20,788
Cemetery	20,562	-	-	20,562
Total Expenditures	506,794	250	48,625	555,669
Excess (Deficiency) of Revenue over Expenditures	31,286	83,167	178,088	292,541
<i>Other Financing Sources (Uses):</i>				
Operating transfers out	-	-	-	-
Operating transfers in	-	-	-	-
Excess of revenue and other sources over (under) expenditures and other uses	31,286	83,167	178,088	292,541
Fund Balance at Beginning of Year	243,732	394,156	252,130	890,018
Fund Balance at End of Year	\$ 275,018	\$ 477,323	\$ 430,218	\$ 1,182,559

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City of Enterprise
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30,2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	pg 19	\$ 292,541
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	-	
Asset Retirement	-	
Depreciation	<u>(66,775)</u>	(66,775)

Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.		(46,489)
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Accrued leave is recognized as an expenditure in the governmental funds when it is paid. In the statement of activities, however, the expense for accrued leave is recognized as it accrues. The effect of this difference in treatment is as follows:

	<u>0</u>	
Change in net assets of governmental activities	<u>\$ 179,277</u>	
	pg 16	

City of Enterprise
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund Types
For the Year Ended June 30, 2006

	General Fund Types			
	Budgeted Amounts		Actual	Over/(Under)
	Original	Revised		
Revenues				
Property Taxes-Current	\$ 68,000	\$ 63,500	\$ 60,962	\$ (2,538)
Property Taxes-Delinquent	7,000	7,000	1,387	(5,613)
Fee in Lieu of Taxes	16,000	16,000	16,231	231
Sales & Use Taxes	115,000	115,000	147,246	32,246
Franchise Taxes	18,000	18,000	23,658	5,658
Telephone Communication Tax	10,500	15,000	24,783	9,783
Licenses and Permits	12,000	28,000	37,744	9,744
Intergovernmental	77,000	87,000	96,430	9,430
Charges for Services	111,100	111,100	100,984	(10,116)
Fines & Penalties	9,500	9,500	8,104	(1,396)
Flood Repair	3,000	3,000	-	(3,000)
Interest	13,600	34,600	11,598	(23,002)
Sale of Materials/Assets	-	-	530	530
Special Assessments	-	-	-	-
Other Revenue	50,000	71,000	8,423	(62,577)
Total Revenues	510,700	578,700	538,080	(40,620)
Expenditures				
Mayor & Council	12,600	13,900	12,121	(1,779)
Judicial	16,000	16,200	14,248	(1,952)
Administration	122,700	123,300	136,425	13,125
Building Department	37,400	62,400	22,096	(40,304)
Public Safety	50,250	66,150	64,756	(1,394)
Public Health	49,700	52,100	48,016	(4,084)
Sanitation and Waste Collection	53,000	53,000	52,393	(607)
Public Works - Streets	111,850	125,150	115,389	(9,761)
Parks and Recreation	33,500	37,400	20,788	(16,612)
Cemetery	21,500	29,100	20,562	(8,538)
Total Expenditures	508,500	578,700	506,794	(71,906)
Excess (Deficiency) of Revenue over Expenditures	2,200	-	31,286	31,286
Other Financing Sources (Uses):				
Operating Transfers Out	-	-	-	-
Operating Transfers In	-	-	-	-
Fund Balance at Beginning of Year	168,144	168,144	243,732	75,588
Fund Balance at End of Year	\$ 170,344	\$ 168,144	\$ 275,018	\$ 106,874

City of Enterprise
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Electric Utility	Water Utility	Sewer Utility	Total
Assets				
Current Assets:				
Cash and Investments	\$ 779,147	\$ 455,976	\$ 165,626	\$ 1,400,749
Accounts Receivable	49,135	33,786	14,982	97,903
Inventory of Supplies	123,054	20,389	1,360	144,803
Total Current Assets	<u>951,336</u>	<u>510,151</u>	<u>181,968</u>	<u>1,643,455</u>
Restricted Assets:				
Cash and Investments	<u>25,449</u>	<u>55,731</u>	<u>139,110</u>	<u>220,290</u>
Capital Assets:				
Buildings and Parks	15,927	279,078	-	295,005
Distribution Systems	614,040	2,255,976	2,272,724	5,142,740
Machinery and Equipment	100,262	361,619	44,144	506,025
Accumulated Depreciation	(409,921)	(828,582)	(661,055)	(1,899,558)
Water Rights and Other	62,577	421,055	-	483,632
Total Capital Assets Net of Accumulated Depreciation	<u>382,885</u>	<u>2,489,146</u>	<u>1,655,813</u>	<u>4,527,844</u>
Total Assets	<u>1,359,670</u>	<u>3,055,028</u>	<u>1,976,891</u>	<u>6,391,589</u>
Liabilities				
Current Liabilities:				
Accounts Payable	36,149	7,103	7,749	51,001
Accrued Interest Payable	-	14,299	8,318	22,617
Current Bonds and Discounts Payable	-	39,308	56,967	96,275
Total Current Liabilities	<u>36,149</u>	<u>60,710</u>	<u>73,034</u>	<u>169,893</u>
Noncurrent Liabilities:				
Customer Deposits	8,068	-	-	8,068
Accrued for Digger Truck	50,000	-	-	50,000
Accrued Compensated Absences	3,747	2,576	1,893	8,216
Bonds Payable	-	1,685,195	590,571	2,275,766
Total Noncurrent Liabilities	<u>61,815</u>	<u>1,687,771</u>	<u>592,464</u>	<u>2,342,050</u>
Total Liabilities	<u>97,964</u>	<u>1,748,481</u>	<u>665,498</u>	<u>2,511,943</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	382,885	764,643	1,048,275	2,195,803
Restricted	25,449	55,731	139,110	220,290
Unrestricted	853,372	486,173	124,008	1,463,553
Total Net Assets	<u>\$ 1,261,706</u>	<u>\$ 1,306,547</u>	<u>\$ 1,311,393</u>	<u>\$ 3,879,646</u>

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City of Enterprise
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Electric Utility	Water Utility	Sewer Utility	Total
Operating Revenues:				
Fees for Services Provided	\$ 538,831	\$ 233,473	\$ 148,768	\$ 921,072
Late Fees & Penalties	-	4,269	-	4,269
Miscellaneous	32,258	24,569	13,306	70,133
Total Operating Revenues	571,089	262,311	162,074	995,474
Operating Expenses				
Salaries	91,080	53,700	23,238	168,018
Employee Benefits	43,341	25,917	14,232	83,490
Insurance	5,190	3,460	1,040	9,690
Depreciation	17,563	96,538	45,675	159,776
Supplies, Tools, & Vehicle Costs	32,855	11,096	11,251	55,202
Purchased Power	356,272	-	-	356,272
Telephone and Utilities	2,184	14,452	3,141	19,777
Office Expense	379	395	287	1,061
Outside Services & Special Projects	27,176	20,508	10,666	58,350
Total Operating Expenses	576,040	226,066	109,530	911,636
Operating Income (Loss)	(4,951)	36,245	52,544	83,838
Nonoperating Revenues (Expenses)				
Interest Income/ Bond Discount	32,869	18,439	10,293	61,601
Interest Expense	-	(32,478)	(15,551)	(48,029)
Impact Fees	29,460	50,000	65,250	144,710
Total Nonoperating Revenues (Expenses)	62,329	35,961	59,992	158,282
Change in Net Assets	57,378	72,206	112,536	242,120
Prior Period Adjustment	-	-	-	-
Total Net Assets - Beginning	1,204,328	1,234,341	1,198,857	3,637,526
Total Net Assets - Ending	\$ 1,261,706	\$ 1,306,547	\$ 1,311,393	\$ 3,879,646

The notes to the financial statements are an integral part of this statement.

City of Enterprise
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Electric Utility	Water Utility	Sewer Utility	Totals
Cash Flows from Operating Activities				
Cash Received from Customers, Service Fees	\$ 533,847	\$ 227,639	\$ 147,925	\$ 909,411
Cash Received from Customers, Other	32,258	28,838	13,306	74,402
Cash Paid to Suppliers	(404,661)	(41,853)	(19,142)	(465,656)
Cash Paid to Employees	(140,094)	(83,006)	(37,301)	(260,401)
Net Cash Provided by Operating Activities	21,350	131,618	104,788	257,756
Cash Flows from Capital and Related Financing Activities				
Acquisition and Construction of Capital Assets	(25,000)	-	-	(25,000)
Impact Fees Received	29,460	50,000	65,250	144,710
Principal Paid on Long-term Debt	-	(39,308)	(56,967)	(96,275)
Interest Paid	-	(35,044)	(15,551)	(50,595)
Net Cash Used in Capital and Related Financing Activities	4,460	(24,352)	(7,268)	(27,160)
Cash Flows from Investing Activities				
Proceeds from Interest Earnings	32,869	18,439	10,293	61,601
Net Increase (Decrease) in Cash and Cash Equivalents	58,679	125,705	107,813	292,197
Cash and Cash Equivalents at Beginning of Year	745,917	386,002	196,923	1,328,842
Cash and Cash Equivalents at End of Year	\$ 804,596	\$ 511,707	\$ 304,736	\$ 1,621,039
Reconciliation of Operating Income to Net Cash Provided by Operations:				
Operating Income (Loss)	\$ (4,951)	\$ 36,245	\$ 52,544	\$ 83,838
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation	17,564	96,538	45,675	159,777
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(4,984)	(5,834)	(843)	(11,661)
Decrease (Increase) in Inventories	(14,833)	(1,709)	(1,360)	(17,902)
Increase (Decrease) in Accounts Payable	4,088	6,307	7,563	17,958
Increase (Decrease) in Customer Deposits	(232)	-	-	(232)
Increase (Decrease) in Digger Truck Accrual	25,000	-	-	25,000
Increase (Decrease) in Compensated Absences	(302)	71	1,209	978
Net Cash Provided by Operating Activities	\$ 21,350	\$ 131,618	\$ 104,788	\$ 257,756

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Enterprise(The City) is incorporated under the laws of the State of Utah and operates within the classification of a third class city. The City has a governing body consisting of a mayor and five council members and provides the following services as authorized by its charter: public safety, public works, culture, recreation and community development.

The financial statements of the City have been prepared to conform with generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City has no component units included within its reporting entity.

B. Implementation of New Accounting Standards
Governmental Accounting Standards Board Statement No. 34

Starting with the fiscal year ended June 30, 2004, the City implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34). This statement affects the manner in which the City records transactions and presents financial information.

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Management's Discussion and Analysis GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements The reporting model includes financial statements prepared using full accrual accounting for all the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

Statement of Net Assets The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The City reports capital assets in the government-wide statement of net assets and reports depreciation expense—the cost of "using up" capital assets—in the statement of activities. The net assets of the City are broken down into three categories—1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities—The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. Implementation of GASB 34 has had a significant impact on the City's financial statements for the year ended June 30, 2006.

Governmental Accounting Standards Board Statement No. 37

For the fiscal year ended June 30, 2006, the City implemented GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

Governmental Accounting Standards Board Statement No. 38

The City adopted the provisions of GASB No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB 38.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Governmental Accounting Standards Board Interpretation No. 6

For the fiscal year ended June 30, 2006, the City implemented GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB 34, but has no direct effect on the government-wide financial statements. Accordingly, the City has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of June 30, 2006. The City also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

C. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Exceptions to this general rule are charges between the City's Water Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety (police and fire), public improvements, and parks & recreation. The business-type activities of the City include water, sewer, and electrical.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the City considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The Special Improvement District and the Medical Clinic Expansion funds are Capital Project Funds. They account for the activities of the respective projects.

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the activities of providing water service to the citizens of the City.

The Sewer Utility Fund accounts for the activities of maintaining sanitary sewer systems within the City.

The Electric Utility Fund accounts for the activities of providing electric power to the citizens of the City.

Each of these separate funds are to account for providing the applicable services to the residents of the City. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service and billing and collection. Net working capital of the combined Enterprise Funds at June 30, 2006 amounted to \$ 1,671,201.

Additionally, the City reports the following fund types:

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs. The City has one permanent fund - The Cemetery Perpetual Care Fund.

Internal Service Funds account for vehicle operations, risk management, and information technology and communications operations that provide services to other departments of the City on a cost-reimbursement basis. The City has no internal service funds.

Fiduciary Funds, which consist solely of Agency funds, account for assets held by the City as a trustee or as an agent for individuals or other government units. The only fiduciary fund type used by the City is the Agency Fund type. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the City in an agency capacity for individuals or other governmental units. The City has no Agency Funds.

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

E. ASSETS, LIABILITIES, NET ASSETS OR FUND

EQUITY Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of its equity from the pool by a particular fund, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value, except for certain short-term money market investments, which approximate fair value. The fair value of the City's share of the Utah Public Treasurers Investment Fund (PTIF) is reported to the City on a quarterly basis. PTIF operates in accordance with laws and regulations of the State of Utah. The reported value of the pool is the same as the fair value of pool shares. Changes in fair value are allocated to each participating fund on an annual basis.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted, non-pooled investments with initial maturities of three months or less.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as *interfund receivables/interfund payables*, i.e., the current portion of interfund loans, or *advances to/from other funds*, the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as *interfund receivables/interfund payables*. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as *internal balances*.

Advances between funds, as reported in the fund financial statements, are offset by a reservation of fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

All trade receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2006 and 2005, management believed that all amounts were collectable and no allowance for uncollectible accounts was necessary.

Property Taxes

The property taxes of the City of Enterprise are levied, collected and distributed by Washington County as required by Utah State law. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 22. By July 22, the county auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 8 and August 22 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date November 30.

Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, along with B & C Road funds, Liquor Law Enforcement funds, and Emergency Medical Technician funds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or by state statute or other restriction. In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

Capital Assets

Capital assets, which include land, buildings, and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2006.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives as follows:

Sewer System	60 years
Concrete Water Reservoir & Tanks	50 years
Transmission lines	40 years
Distribution lines	30 - 50 years
Office Building	40 years
Service connections & meters	35 years
Wells, including pumps	25 - 35 years
Equipment, furniture & fixtures	10 years

As a result of the implementation of GASB 34, the City is now accounting for infrastructure assets on its financial statements. The government-wide financial statements include those infra-structure assets that were either completed during the current fiscal year or considered construction in progress at current fiscal year-end.

Lease Obligations

The City leases various assets under both operating and capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to a maximum determined by bargaining unit agreements. Employees are paid 100% of their accumulated vacation or when they terminate employment for any reason. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements and a liability is reported in the government Long-Term Liabilities

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized when the related debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

Net Assets and Fund Equity

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net assets. The City's other restricted net assets are temporarily restricted (ultimately expendable) assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operation. However, comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Budgetary Data

The following procedures are used in establishing the budgetary data reflected in the financial statements. The general fund budget is presented on the modified accrual basis of accounting while the budget for the enterprise funds are presented on the accrual basis of accounting.

1. For the fiscal year beginning July 1, the City Manager prepares a tentative budget which is presented to the City Council at least 7 days prior to its adoption.

2. By resolution, the City Council legally adopts the final budget prior to June 22, after a public hearing has been held.

3. Once adopted, the budget can be amended. Reductions in appropriations can be approved by the City Council, but increased appropriations require a public hearing to amending the budget.

4. Interim adjustments of estimated revenues and expenditures during fiscal year 2003 have been included in the final budget approved by the City Council, as presented in the general purpose financial statements.

Restatement and Reclassification

Certain restatements and reclassification of the June 30, 2003 amounts have been made in order to make such amounts consistent and comparable where applicable.

NOTE 2: CASH AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

The policy of the City is to follow the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of financial institutions as meeting the requirements of the Act and adhering to the rules of the Utah Management Council.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. Allowable investments under the Act include:

- a. Negotiable or non-negotiable deposits of qualified depositories.
- b. Repurchase agreements with qualified depositories or primary reporting dealers.
- c. Commercial paper which is rated P-1 by Moody's Investors Services or A-1 by Standard and Poor's Inc. if the remaining term to maturity is 180 days or less.
- d. Banker's acceptances that are eligible for discount at a federal reserve bank and which have a remaining term of 180 days or less.
- e. Obligations of the United States Treasury, including bills, notes and bonds.
- f. Obligations issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Student Loan Marketing Association.
- g. Shares or certificates in any open-end management investment company registered with the Securities and Exchange commission under the Investment Company Act of 1940, and the portfolio of which is restricted by law or agreement to investments in which public funds may be invested directly.

The City's carrying amount of bank deposits at June 30, 2005 is \$ 2,747,774 and the bank balances amounted to \$2,819,989, of which, \$100,000 was covered by Federal Depository Insurance. \$2,719,989 was uninsured and uncollateralized. Of this amount \$1,372,151 was on deposit with the State of Utah Public Treasurers' Investment Fund. No deposits are collateralized, nor are they required by state statute.

State law provides for combining the cash balances from the various funds as long as the General Ledger balances for each fund are maintained separately.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Cash in banks and investments in the State Treasurers fund belong to the following funds:

	<u>General Fund</u>	<u>Special Improvement & Non Major Gov't Enterprise Funds</u>	<u>Funds</u>	<u>Total</u>
Cash - Unrestricted	\$ 220,323	\$ ----	\$ 1,400,749	\$ 1,621,072
Cash - Restricted	60,543	845,869	220,290	1,126,702
Negative Cash	----	----	----	----
Totals	<u>\$ 280,866</u>	<u>\$ 845,869</u>	<u>\$ 1,621,039</u>	<u>\$ 2,747,774</u>

Temporary investments of the City at June 30, 2006 were all invested in the State of Utah Treasurer's Pool which is a segregated, managed investment pool of the Utah State Treasurer's Office. Those investments are stated at cost plus accrued interest. They are covered by FDIC insurance to the same degree that the total State Treasurer's Pool is covered by FDIC insurance at a given date. Their carrying amount at June 30, 2006 was \$1,372,151 and the market value was \$ 1,371,712.

The restricted cash and investments of the water and sewer funds are provided for in the various debt instruments as explained at Note 4.

NOTE 3: CAPITAL ASSETS

The changes to capital assets including depreciation and accumulated depreciation for the year ended June 30, 2006 are documented on the following two pages:

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3: CAPITAL ASSETS - Cont'd

	CAPITAL ASSETS		
	Balance 6/30/2005	Additions	Balance 6/30/2006
<u>GENERAL</u>			
<u>GENERAL GOV</u>			
Land	\$ 52,619.33	\$ -	\$ 52,619.33
Buildings & Improvements	79,721.23	-	79,721.23
Machinery & Equip.	6,291.00	-	6,291.00
Office Furn & Equip	32,737.47	-	32,737.47
	<u>171,369.03</u>	-	<u>171,369.03</u>
 <u>PARKS & REC</u>			
Land	65,375.00	-	65,375.00
Buildings & Improvements	119,380.87	-	119,380.87
Machinery & Equip.	34,890.45	-	34,890.45
	<u>219,646.32</u>	-	<u>219,646.32</u>
 <u>PUBLIC HEALTH</u>			
Buildings & Improvements	42,868.79	-	42,868.79
Machinery & Equip.	88,413.54	-	88,413.54
Land	4,598.67	-	4,598.67
Autos & Trucks	12,000.00	-	12,000.00
	<u>147,881.00</u>	-	<u>147,881.00</u>
 <u>PUBLIC SAFETY</u>			
Land	-	-	-
Buildings & Improvements	83,745.00	-	83,745.00
Machinery & Equip.	128,106.02	-	128,106.02
Office Furn & Equip	-	-	-
Autos & Trucks	-	-	-
	<u>211,851.02</u>	-	<u>211,851.02</u>
 <u>PUBLIC WORKS</u>			
Land	48,042.00	-	48,042.00
Curb & Gutter	172,944.40	-	172,944.40
Machinery & Equip.	47,900.07	-	47,900.07
Roads	1,289,706.43	-	1,289,706.43
Storm Drains	77,316.03	-	77,316.03
	<u>1,635,908.93</u>	-	<u>1,635,908.93</u>
 <u>ELECTRIC</u>			
Distribution System	614,040.27	-	614,040.27
Buildings & Structures	15,927.00	-	15,927.00
Machinery & Equip.	52,384.93	-	52,384.93
Other	12,576.75	-	12,576.75
Autos & Trucks	47,877.00	-	47,877.00
	<u>742,805.95</u>	-	<u>742,805.95</u>
 <u>SEWER</u>			
Distribution System	2,202,723.73	-	2,202,723.73
Machinery & Equip.	84,144.38	-	84,144.38
Autos & Trucks	30,000.00	-	30,000.00
	<u>2,316,868.11</u>	-	<u>2,316,868.11</u>
 <u>WATER</u>			
Distribution System	2,255,975.85	-	2,255,975.85
Buildings & Structures	279,077.77	-	279,077.77
Machinery & Equip.	325,595.18	-	325,595.18
Water Rights	421,054.61	-	421,054.61
Autos & Trucks	36,023.77	-	36,023.77
	<u>3,317,727.18</u>	-	<u>3,317,727.18</u>
	<u>\$ 8,764,057.54</u>	<u>\$ -</u>	<u>\$ 8,764,057.54</u>

ENTERPRISE CITY, UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 3: CAPITAL ASSETS - Cont'd

	ACCUMULATED DEPRECIATION			
	Balance 6/30/2005	Additions	Retirements	Balance 6/30/2006
<u>GENERAL</u>				
<u>GENERAL GOV</u>				
Buildings & Improvements	\$ 24,749.07	\$ 2,657.37	\$ -	\$ 27,406.44
Machinery & Equip.	5,132.77	1,158.23	-	6,291.00
Office Furn & Equip	26,449.14	524.03	-	26,973.17
	56,330.98	4,339.63	-	60,670.61
<u>PARKS & REC</u>				
Buildings & Improvements	32,361.01	3,979.36	-	36,340.37
Machinery & Equip.	30,915.27	1,362.78	-	32,278.05
	63,276.28	5,342.14	-	68,618.42
<u>PUBLIC HEALTH</u>				
Buildings & Improvements	4,551.14	1,071.72	-	5,622.86
Machinery & Equip.	55,931.84	8,847.45	-	64,779.29
Autos & Trucks	2,298.08	1,200.00	-	3,498.08
	62,781.06	11,119.17	-	73,900.23
<u>PUBLIC SAFETY</u>				
Buildings & Improvements	37,696.73	2,093.63	-	39,790.36
Machinery & Equip.	52,760.87	12,846.71	15,130.27	50,477.31
Office Furn & Equip	-	-	-	-
Autos & Trucks	-	-	-	-
	90,457.60	14,940.34	15,130.27	90,267.67
<u>PUBLIC WORKS</u>				
Curb & Gutter	62,219.01	3,458.13	-	65,677.14
Machinery & Equip.	41,368.56	2043.71	-	43,412.27
Roads	205,527.56	25,794.13	-	231,321.69
Storm Drains	9,865.08	1,932.90	-	11,797.98
	318,980.21	33,228.87	-	352,209.08
<u>ELECTRIC</u>				
Distribution System	288,477.45	13,232.40	-	301,709.85
Buildings & Structures	-	-	-	-
Machinery & Equip.	43,462.13	2,641.93	-	46,104.06
Other	-	-	-	-
Autos & Trucks	42,876.90	1,666.70	-	44,543.60
	374,816.48	17,541.03	-	392,357.51
<u>SEWER</u>				
Distribution System	502,744.80	36,110.14	-	538,854.94
Machinery & Equip.	66,194.73	5,829.88	-	72,024.61
Autos & Trucks	1,500.00	3,000.00	-	4,500.00
	570,439.53	44,940.02	-	615,379.55
<u>WATER</u>				
Distribution System	432,200.31	59,241.18	-	491,441.49
Buildings & Structures	91,494.16	6,927.35	-	98,421.51
Machinery & Equip.	90,389.25	28,546.24	-	118,935.49
Water Rights	-	-	-	-
Autos & Trucks	20,351.98	2,893.25	-	23,245.23
	634,435.70	97,608.02	-	732,043.72
	\$ 2,171,517.84	\$ 229,059.22	\$ 15,130.27	\$ 2,385,446.79

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4: LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ending June 30, 2006:

	<u>6/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/06</u>
<u>General Obligations</u>				
SID Debt	\$ ----	\$ ----	\$ ----	\$ ---
<u>Revenue Bonds Payable</u>				
Water Bonds	\$ 1,327,000	\$ ----	\$ 34,000	\$ 1,293,000
Water Bonds	429,110	----	5,308	423,802
Bond Discount	10,264	----	2,566	7,698
Totals	<u>\$ 1,766,374</u>	<u>\$ ----</u>	<u>\$ 41,874</u>	<u>\$ 1,724,500</u>
 Sewer Bonds	 \$ 345,506	 \$ ----	 \$ 24,967	 \$ 320,539
Sewer Bonds	359,000	----	32,000	327,000
Totals	<u>\$ 704,506</u>	<u>\$ ----</u>	<u>\$ 56,967</u>	<u>\$ 647,539</u>

Long-term debt and bonds outstanding at June 30, 2006 consisted of the following:

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>
<u>Revenue Bonds Payable</u>			
Water Revenue Bond, due in annual installments of between \$30,000 & \$ 60,000 plus interest at 1%	\$ 34,000	\$ 1,259,000	\$ 1,293,000
Note Payable Due Rural Development in monthly installments of \$ 2,043 including interest at 4.5%, final installment due in 2039	5,308	418,494	423,802
Bond Discount	2,566	5,132	7,698
Total Water Fund	<u>\$ 41,874</u>	<u>\$ 1,682,626</u>	<u>\$ 1,724,500</u>
 Sewer Revenue Bonds, due in annual installments of \$ 40,518 including interest at 4.5%, final installment due in 2016	 \$ 24,967	 \$ 295,572	 \$ 320,539

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Interest Free Sewer Revenue Bonds, due
in annual installments of \$ 32,000, final
installment due in 2019
Total Sewer Fund

<u>32,000</u>	<u>295,000</u>	<u>327,000</u>
<u>\$ 56,967</u>	<u>\$ 590,572</u>	<u>\$ 647,539</u>

NOTE 4: LONG-TERM DEBT (CONTINUED)

Total Debt Service at June 30, 2006 was as follows:

Fiscal Year	Principal	Interest	Total
2007	100,646	46,318	146,964
2008	106,075	44,519	150,594
2009	110,569	42,615	153,184
2010	114,130	40,614	154,744
2011	118,767	38,517	157,284
2012	123,467	36,337	159,804
2013	127,584	34,054	161,638
2014	132,462	31,671	164,133
2015	136,426	29,184	165,610
Thereafter	<u>1,301,913</u>	<u>235,205</u>	<u>1,537,118</u>
Totals	<u>\$ 2,372,039</u>	<u>\$ 579,034</u>	<u>\$ 2,951,073</u>

The city in 1979 was able to refinance it's water utility 5% bond. Through the refinancing the City was able to reduce it's overall bond principal amount by \$ 41, 052. The city is carrying the unamortized balance of \$ 7,698 as bond discount in long term liabilities in the water fund and is being amortized over the life of the bond which is 20 years on a straight line basis. An annual amortization of that discount in the amount of \$ 2,566 is included as revenue in the water fund.

Cities such as Enterprise have a legal limit of general obligation indebtedness of four percent of the fair market value of taxable property. Enterprise has a remaining legal debt margin of approximately \$2,277,297.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4: LONG-TERM DEBT (CONTINUED)

The City has approved a special improvement district to improve and refinish the roads within the incorporated city limits. To assist, the City arranged financing with the State of Utah Division of Finance with a bond secured by the special assessments and the City property. The City assessed the 426 lot owners an assessment of \$ 2,526.04 per lot. Lot owners had the option paying the assessment in full or paying the assessment in monthly installments over a 15 year payment schedule with interest at 3%. The balance of assessments receivable amounted to \$ 202,202 at June 30, 2006 and is included in the capital project funds. Deferred revenue amounting to \$ 125,971 is carried as a liability in the same fund and is recognized as payments are made over time.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts Receivable in the accompanying financial statements include the following:

General Fund

Garbage Fees	\$ <u>5,972</u>
--------------	-----------------

Streets Capital Projects Fund

Special Assessments Receivable	\$ <u>202,201</u>
--------------------------------	-------------------

Proprietary Funds

Water Fees	\$ 33,786
Sewer Fees	14,982
Electric Service	<u>49,135</u>
Total	\$ <u>97,903</u>

NOTE 6: RETIREMENT PLANS

The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living allowances and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6: RETIREMENT PLANS (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 S, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members may contribute a percentage of their covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 11.09% of covered salary to the contributory system. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The contributions made by the City for the year ended June 30, 2006 were paid by the due dates or within 30 days thereafter. The contributions were equal to the required contributions for each year. The City does not participate in a 457 Deferred Compensation Plan.

The required contributions and amounts received for the 2006/2005 fiscal year and the two previous fiscal years are as follows:

<u>System</u>	<u>Year</u>	<u>Employee paid Contributions</u>	<u>Employer Paid for employee Contributions</u>	<u>Employer Contributions</u>	<u>Salary subject to retirement Contributions</u>
Local Governmental- Contributory	2006	\$ ----	\$ ---	\$ 27,707	\$ 249,839
	2005	----	---	27,457	247,583
	2004	----	---	22,770	236,698
401(k) Contributions	2006	\$ 8,128	\$ ----	N/A	
	2005	8,422	----	N/A	
	2004	7,761	----	N/A	

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7: COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

The city is involved in certain legal matters that have arisen in the normal course of business. In the opinion of management none of these matters are of a nature that would have a material affect on the financial statements.

NOTE 8: RESERVED FUND BALANCE

Reserves are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use.

General Fund					
	<u>Beg Bal</u>				<u>End Bal</u>
	<u>6/30/05</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Interest</u>	<u>6/30/06</u>
Class C Roads	\$ 111,172	\$ 57,382	\$ 113,820	\$ 5,809	\$ 60,543
Liquor Funds	---	1,265	1,265	---	---
Totals	<u>\$ 111,172</u>	<u>\$ 58,647</u>	<u>\$ 115,085</u>	<u>\$ 5,809</u>	<u>\$ 60,543</u>
Proprietary Funds					
	<u>Beg Bal</u>				<u>End Bal</u>
	<u>6/30/05</u>	<u>Revenues</u>	<u>Expend.</u>	<u>Interest</u>	<u>6/30/06</u>
Electric Impact Fees	\$ (4,896)	\$ 29,460	\$ ----	\$ 885	\$25,449
Water Bond Reserves					
Bond Fund	\$ 26,845				\$ 26,845
Reserve Fund	28,886				28,886
Total	<u>\$ 55,731</u>				<u>\$ 55,731</u>
Sewer Bond Reserves					
Bond Fund	\$ 33,592				\$ 33,592
Reserve Fund	72,518				72,518
Emergency Rep	33,000				33,000
Totals	<u>\$ 139,110</u>				<u>\$ 139,110</u>
Total Reserved Balances	<u>\$ 189,965</u>				<u>\$ 220,290</u>

CITY OF ENTERPRISE, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9: RISK MANAGEMENT

In the normal course of its operations the city is exposed to potential legal actions. Exposure to such situations is not beyond normal exposure, however, the City maintains what is in the opinion of management, adequate insurance coverage through the Utah Local Government's Insurance Trust. Workman's compensation insurance is handled through the Worker's Compensation Fund of Utah.

NOTE 10: USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 11 PUBLIC RISK POOL

The Utah Risk Management Mutual Association was organized in 1986 to provide a program of liability insurance. The program's general objectives are to formulate, develop, and administer, on behalf of the member political subdivision, a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City has a deductible of \$ 1,000 per occurrence and a limit of coverage of \$ 4,000,000. The City's annual premium was \$ 15,304 which was shown as an expenditure to the various funds as insurance expense.

NOTE 12 ENTERPRISE INVENTORIES

The inventories of the enterprise funds are stated at the lower of cost or market. Cost is determined by the first in first out method.

City of Enterprise
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	<u>Capital Project Funds</u>		<u>Special Revenue Emergency Medical Services Fund</u>	<u>Permanent Fund Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Equipment</u>	<u>Medical Clinic Expansion</u>			
Assets					
Cash - Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -
Cash - Restricted	289,360	-	41,049	99,832	430,241
Due from Other Governments	-	-	-	-	-
Due from General Fund	-	-	-	-	-
Total Assets	\$ 289,360	\$ -	\$ 41,049	\$ 99,832	\$ 430,241
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 23	\$ -	\$ 23
Interest Payable	-	-	-	-	-
Total Liabilities	-	-	23	-	23
Fund Balances					
Reserved For:					
Capital Outlay	289,360	-	-	-	289,360
Medical Clinic	-	-	-	-	-
EMT Fund	-	-	41,026	-	41,026
Cemetery Perpetual Care	-	-	-	99,832	99,832
Unreserved, Undesignated	-	-	-	-	-
Total Fund Balances	289,360	-	41,026	99,832	430,218
Total Liabilities and Fund Balances	\$ 289,360	\$ -	\$ 41,049	\$ 99,832	\$ 430,241

The notes to financial statements are an integral part of this statement.

City of Enterprise
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	<u>Capital Project Funds</u>		<u>Special Revenue</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Equipment (46)</u>	<u>Medical Clinic Expansion</u>	<u>Emergency Medical Services EMS Fund</u>	<u>Cemetery Perpetual Care</u>	
Revenues:					
Intergovernmental	\$ -	\$ -	\$ 60,328	\$ -	\$ 60,328
Interest	10,372	-	1,390	3,874	15,636
Other	142,303	-	1,301	7,145	150,749
Total Revenues	<u>152,675</u>	<u>-</u>	<u>63,019</u>	<u>11,019</u>	<u>226,713</u>
Expenditures:					
Salaries & Wages	-	-	19,599	-	19,599
Professional Services	-	-	-	-	-
Miscellaneous	-	-	5,473	-	5,473
Demolition/Site Preparation	-	-	-	-	-
Electrical Service	-	-	-	-	-
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Equipment	-	-	17,794	-	17,794
Public Improvements	-	-	-	-	-
Supplies & Maintenance	-	-	5,759	-	5,759
Payroll Taxes & Benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>48,625</u>	<u>-</u>	<u>48,625</u>
Excess (Deficiency) of Revenues Over Expenditures	152,675	-	14,394	11,019	178,088
Other Financing Sources (Uses):					
Transfer from General Fund	-	-	-	-	-
Fund Balance at Beginning of Year	136,685	-	26,632	88,813	252,130
Fund Balance at End of Year	<u>\$ 289,360</u>	<u>\$ -</u>	<u>\$ 41,026</u>	<u>\$ 99,832</u>	<u>\$ 430,218</u>

The notes to the financial statements are an integral part of this statement.



INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Enterprise, Utah

We have audited the general purpose financial statements of the City of Enterprise, Utah, for the year ended June 30, 2006 and have issued our report thereon dated September 22, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds
Liquor Law Enforcement

Department of Transportation
State Tax Commission

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt

Purchasing Requirements

Property Tax

Cash Management

Budgetary Compliance

Other Compliance Requirements

Uniform Building Code Standards

Impact Fees

Justice Courts

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion. The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above which we have enumerated in a separate letter dated September 22, 2006.

In our opinion, the City of Enterprise complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
September 22, 2006

Status of Prior Year's Findings For State Compliance

The general purpose financial statements of the City of Enterprise for the year ended June 30, 2005, contained certain audit finding. Listed below is the status of those findings at June 30, 2006.

FINDING 1: During the testing of cash receipts we noted one instance out of a sample of 25 where the cash was not deposited within the 3 business days as required by state statute.

STATUS OF FINDING: It appears that this condition has been corrected.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City Council
Enterprise, Utah

We have audited the financial statements of the City of Enterprise, State of Utah (the City) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the City's management in a separate letter dated September 22, 2006.

This report is intended solely for the information of the Mayor, City Council, management and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Hafen, Buckner, Everett & Graff PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
September 22, 2006

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(435) 673-6167

HAFEN
BUCKNER
EVERETT
& GRAFF, PC
CERTIFIED PUBLIC
ACCOUNTANTS

Honorable Mayor and City Council
Enterprise, Utah

We have audited the general purpose financial statements of the various funds and account groups of the City of Enterprise, Utah for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006, as part of our audit, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the balance sheet and to assist the auditor in planning and performing their audit of the financial statement.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to the future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our audit made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the City's system of internal accounting control for the year ended June 30, 2006, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed the following conditions that we believe should be brought to your attention.

It is important to recognize that a letter of this type is intended to be constructive in nature, and that the absence of positive or complimentary comments are not intended to imply that the operation is not efficient or sound.

FINDING 06-1: During our testing we noted that general fund administration was over budget by \$ 13, 125 which is in violation of state statute.

RECOMMENDATION: We recommend that management make sure that all departments including the general fund administration stay within the approved budget.

MANAGEMENT RESPONSE: Management agrees with the audit finding and recommendation and will take the necessary steps to implement the auditors recommendation.

FINDING 06-2 The final unrestricted general fund balance is \$ 214,475 or 37% of the general fund budgeted revenues. State statute provides for a minimum fund balance of 5% of budgeted general fund revenues and a maximum of 18%.

RECOMMENDATION: We recommend that management take the necessary action to reduce the unrestricted fund balance to the 18% called for by state statute.

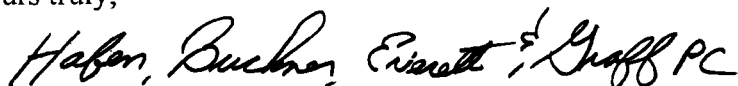
MANAGEMENT RESPONSE: Management agrees with the audit finding and recommendation and will take the necessary steps to implement the auditors recommendation.

We appreciate the help and cooperation provided by the City personnel during the course of our audit.

Because the above comments are based on a special study of matters covered, further evaluation of our suggestion may be necessary on your part as a basis for implementation.

We would be pleased to discuss these matters with you further at your convenience.

Yours truly,



HAFEN, BUCKNER, EVERETT & GRAFF, PC
December 16, 2006